HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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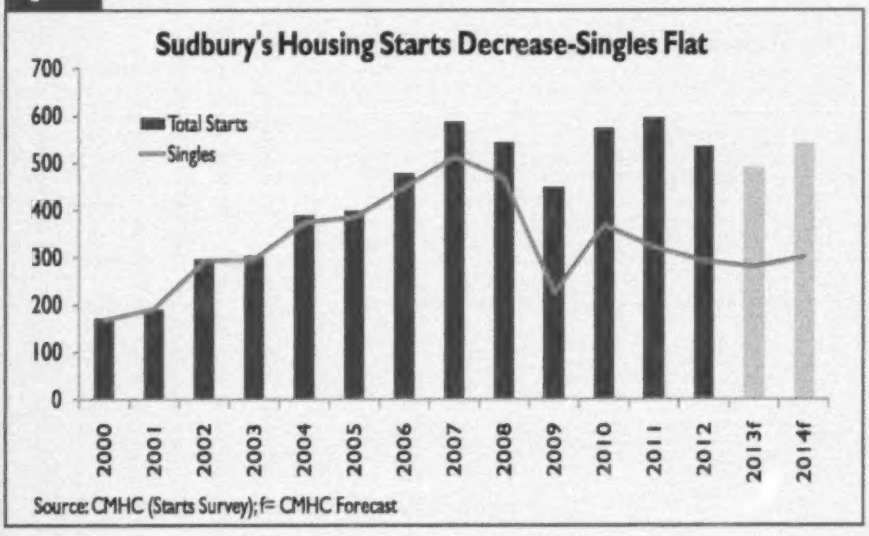
Market at a Glance

- Existing home sales in Sudbury will continue to ease during rest of 2013, but will show signs of recovery starting first quarter of 2014. As listings soften at a similar rate, the market will remain balanced.
- Sudbury home prices will grow by 4.4 per cent in 2013 and 3.6 per cent in 2014.
- Single-detached starts will see 15 per cent drop in 2013, while they are expected to post 12 per cent increase in 2014. Starts of semis, rows and apartments will exhibit similar declining trends this year, but are expected to recover next year, reaching 2012 levels.

Figure 1



The forecasts included in this document are based on information available as of April 26, 2013.

Table of Contents

1 Market at a Glance

2 Resale Market

2 New Hone Market

3 Local Economy

4 Mortgage Rate Outlook

5 Forecast Summary

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Resale Market

Sales activity will ease in 2013

Existing home sales will ease in 2013 by 7.1 per cent. Some losses from the past first quarter will recover in the succeeding two quarters but overall MLS® sales will soften. However, the resale market is forecast to bounce back next year with 5.3 per cent increase.

The softness in the existing home market will come mostly from the first-time homebuyer segment. Potential first-time buyers are postponing plans for homeownership, which is reflected in a declining vacancy rate for Sudbury. On the other hand, repeat buyers will dominate the resale market, as they continue to take advantage of lower mortgage rates and have the ability to pay larger down payments for more expensive homes.

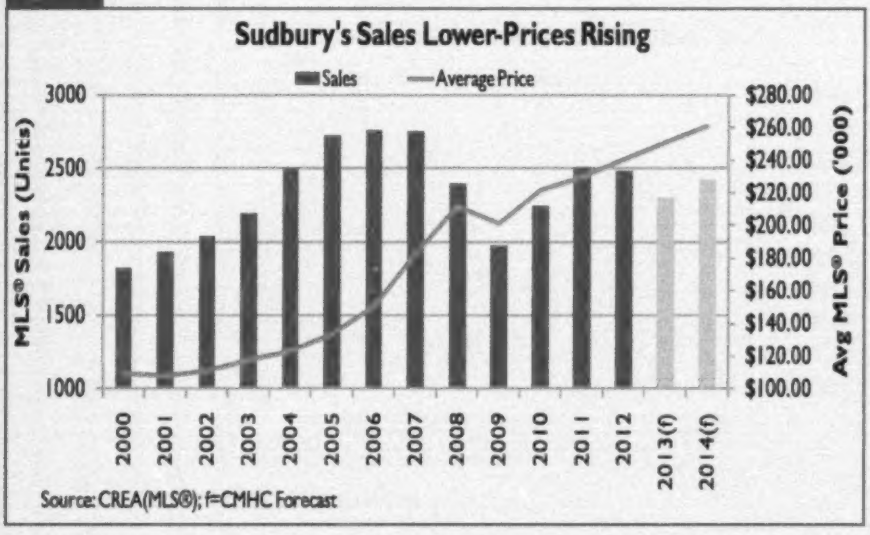
Sudbury's economy is susceptible to changes in the global economy due to its reliance on mining industry exports. The prices for copper and nickel have been trending lower in the last few quarters, as demand for industrial metals weakened in the wake of a deceleration of growth in emerging market economies. However, Sudbury is well poised to recover its economic strength in 2014 as growth in the global economy gains traction and exports contribute a bit more to the Canadian economy.

Prices to grow above inflation rate

Despite the drop in sales, shrinking supply in the form of lower number of new listings is helping sustain a balanced market. The sales-to-listing ratio is trending lower but not to the point where current resale market classification will change in the region. Next year Sudbury's existing home market will remain balanced.

Price gains will persist in Sudbury. The average MLS® price will increase by 4.4 per cent this year and by 3.6 per cent in 2014. Although price increases are expected this year, average income growth is not expected to keep pace thus reducing affordability in Sudbury. However, average income growth will resume in 2014, easing the downward pressure on affordability. Despite persistent price increases, Sudbury remains one of the more affordable centres with population over 100,000.

Figure 2



New Home Market

Total starts are expected to drop to 369 units in 2013 with faster deceleration for single-detached starts as compared to multi unit starts. Single-detached starts are forecast to drop by 32 per cent to 200 units as compared to 30 per cent drop for semi-detached/row/apartments to 169 units. Weaker commodity demand and lack of new capital investments in mining projects will affect employment in the region. Additionally, lower demand for resale housing and higher cost of construction will continue dampening overall housing starts activity for the remainder of the year.

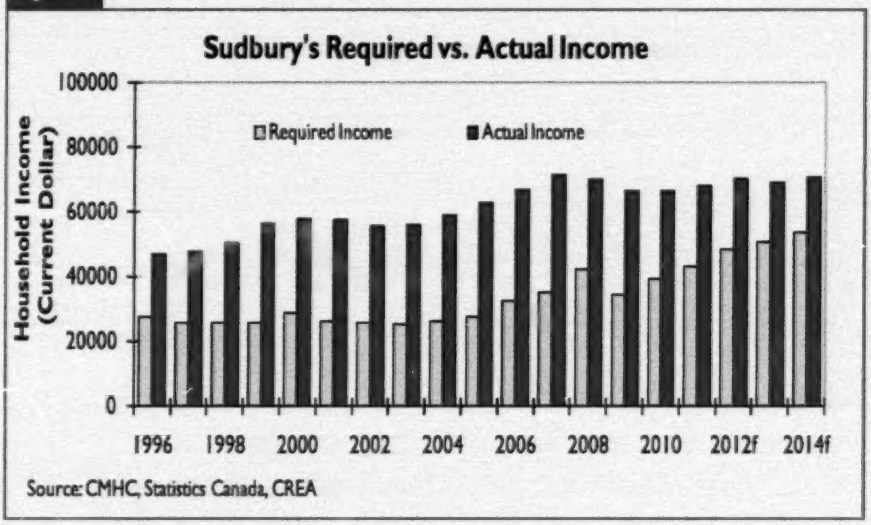
Housing starts are forecast to recover early in 2014 with a forecast of 445 new starts for the year. However, semi detached and townhomes will be the ones leading construction activity with 32 per cent and 29 per cent increases respectively. With growing momentum in the global economy, first time homebuyers coming out of wait-and-see mode in the hope for better prices and expected gains in the employment for 25-44 year age group will help boost demand for new construction.

The average price for absorbed single-detached homes will increase by 4 per cent to $399,012 in 2013 as compared to MLS® average sales price for single-detached homes at $283,258. The price gap between single-family homes in the new and existing home markets will be one additional factor

contributing to the slight moderation in new single-detached construction. The share of expensive new construction, with prices +$300,000, will remain consistently above 80 per cent this year.

The demand for more expensive new homes is coming from move-up buyers who would like to customize their homes according to their needs. However, recent building permit activity is indicating that more affordable mid-size homes will break ground along with few multi-unit projects awaiting city's approval. This trend is expected to strengthen next year, as builders cater to the revitalized first-time homebuyer activity.

Figure 3



Economic Overview

After peaking in the last quarter of 2012, the employment level and average weekly earnings in Greater Sudbury are showing downward trends in the first quarter of 2013. This declining trend in the employment and average weekly earnings is expected to persist throughout 2013, varying by 0.4 per cent and -1.50 per cent respectively. However, next year, Sudbury's employment and average weekly earnings will pick up and are forecast to increase by 1.20 per cent and 1.70 per cent respectively.

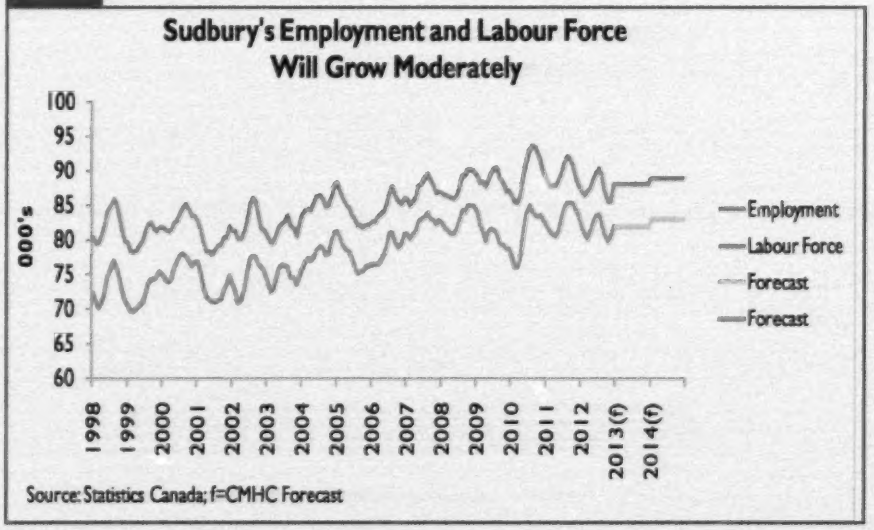
Sudbury's economy did not see much growth in 2012 mainly due to external factors like global economic slowdown lowering commodity prices and tougher competition from other metal producing countries and Canadian provinces. However, mining activity in Sudbury is expected to recover with the completion of few projects in the pipeline.

Some of these projects are part of a $10-billion, five-year investment program for Vale's Canadian Operations scheduled to run from 2010-2015. Moreover, investment in Sudbury of some largest mining companies in the world could also result in more money being available for exploration and development in the region. Opening of Laurentian School of Architecture with first session starting in Sept 2013 is sure to attract attention from people outside Northern Ontario.

Migration will increase consistently through the forecast period

Skilled labor shortage is a major concern for employers looking to expand their capacity especially in

Figure 4



mining and construction industries. According to a recent Labor market study for Greater Sudbury Area, 21,000 replacements will be needed within next ten years due to retirements. The recent budget introduced a new Canada Job Grant for skills training. In the meantime, Sudbury is expected to benefit from migration both domestic and international. CMHC forecasts consistent increases in net migration both in 2013 and 2014.

Sudbury`s mining supply and technology sector is the third largest in Canada after Toronto and Vancouver. The resurgence in metal exports will give a boost to burgeoning mining supply sector in Sudbury. A recent example of this is a large Chinese manufacturer of crushers and mineral processing equipments opening sales and service base for the Americas in Sudbury more recently.

Mortgage Rate Outlook

Mortgage rates to see modest and gradual increases, but will remain low

In line with the consensus among private-sector forecasters, increases in the Target Overnight Rate by the Bank of Canada are not anticipated before mid-2014, later than anticipated at the time of the 2013 First Quarter Housing Market Outlook. This reflects the downward revisions in GDP forecasts since the publication of the First Quarter Housing Market Outlook, particularly the expectations of a slower economy in 2013. The expected delay in interest rate increases will continue to be supportive of housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2013, the one-year mortgage rate is forecast to be within 3.00 per cent to 3.25 per cent with an average of 3.13 per cent, while the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent with an average of 5.28 per cent. For 2014, the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range with an average of 3.42, while the five-year posted mortgage rate is forecast to be within 5.25 per cent to 5.75 per cent with an average of 5.53 per cent, consistent with higher economic growth prospects in 2014.

Forecast Summary
Greater Sudbury CMA
Spring 2013

	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	369	321	294	200	-32.0	250	25.0
Multiples	206	274	242	169	-30.2	195	15.4
Semi-Detached	4	40	48	34	-29.2	45	32.4
Row/Townhouse	25	54	29	35	20.7	45	28.6
Apartments	177	180	165	100	-39.4	105	5.0
Starts - Total	575	595	536	369	-31.2	445	20.6
Average Price ($):							
Single-Detached	360,289	372,831	383,665	399,012	4.0	410,982	3.0
Median Price ($):							
Single-Detached	354,900	366,900	369,900	375,383	1.5	382,890	2.0
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	-0.5	0.1	1.3	1.3	-	1.5	-
Resale Market							
MLS® Sales	2,244	2,507	2,478	2,303	-7.1	2,424	5.3
MLS® New Listings	4,673	4,354	4,177	4,041	-3.3	4,168	3.1
MLS® Average Price ($)	221,699	229,485	240,312	251,000	4.4	260,000	3.6
Rental Market							
October Vacancy Rate (%)	3.0	2.8	2.7	2.5	-0.2	2.4	-0.1
Two-bedroom Average Rent (October) ($)	840	881	915	930	-	940	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.25	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 5.75	-
Annual Employment Level	81,500	83,200	81,700	82,000	0.4	83,000	1.2
Employment Growth (%)	1.5	2.1	-1.8	0.4	-	1.2	-
Unemployment rate (%)	9.3	6.8	6.9	6.8	-	6.7	-
Net Migration	-994	-281	-334	100	-129.9	500	400.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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